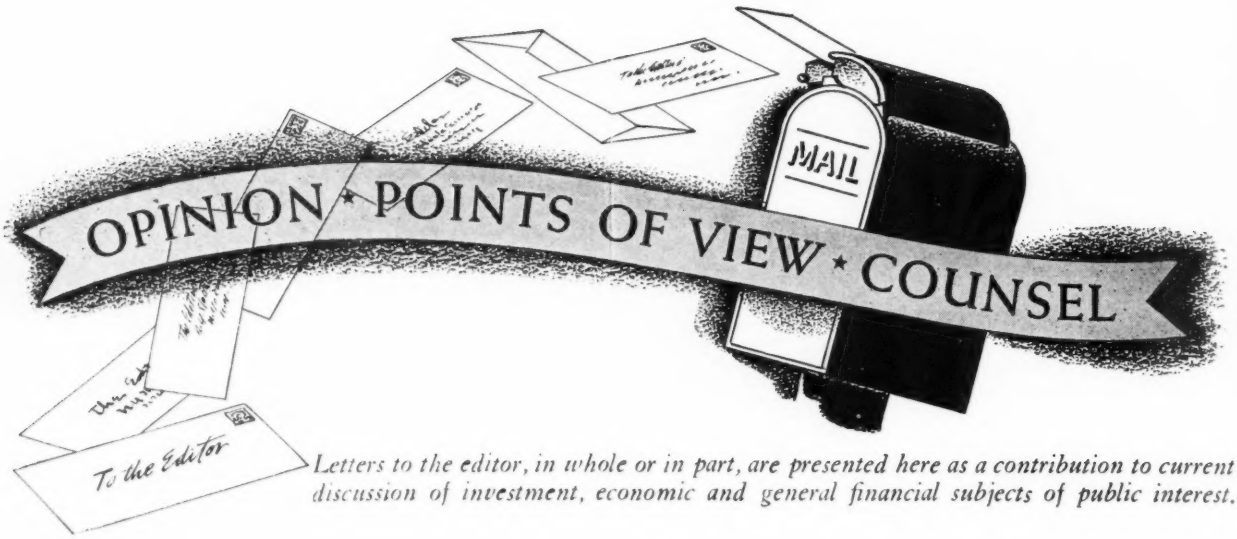
The Exchange

ELECTRONICS . . Science Points Way To More Abundant Life—*Page 6*



Letters to the editor, in whole or in part, are presented here as a contribution to current discussion of investment, economic and general financial subjects of public interest.

DECATUR, ILL.

At a time when publicity has come practically to the stage of being a big business, it seems to me that many corporations are overlooking an opportunity. An opportunity, I mean, to make themselves better known to their own securities owners. The stocks of several large companies are in my safe deposit box, and from some of them—General Motors for one—have come booklets and folders this year which keep me informed about their production, earnings, employee relations, taxes and so on, and the information certainly increases my interest in them. But, on my own experience and the experience of other investors with whom I discuss stocks, comparatively few corporations are taking the trouble to keep their stockholders informed about such subjects. Perhaps more companies are publicizing themselves than was the case before war work imparted drama to their operations, but it would seem logical as a good-will undertaking if the movement should become general. It ought to be vastly greater than it is.

S. H. McC.

HARTFORD, CONN.

Several months ago I read in THE EXCHANGE an article pointing up the merits of the bonds of numerous railroads now in process of reorganization. Other articles over the past year and a half have discussed rail debt reduction (the impression I got from them was that such reduction was rather trifling, considering the size of the industry's debt). I don't need to refresh your memory about your own production, or the production of writers outside your staff, and will come to the point—how come some emphasis has not been laid upon the bonds of certain so-called "border-line" rails which have paid their interest straight along and presumably are being prepared for peace-time traffic and the earnings of peace-time by anticipating bond maturities and otherwise cutting down their debt? Do you mean to say that prejudice which arose toward railroad bonds during the 1930's has no reason to let up at all?

J. C.

Editor's Note: The writer's nudge is well taken, and THE EXCHANGE is glad to publish in this issue a discussion of "borderline" railroads underlying bonds, illustrated by reference to individual situations as examples to promote investor study of the industry's capital structure in the light of current developments.

WILMINGTON, DEL.

. . . Charts and figures having to do with stocks on the Stock Exchange that you print by industrial groups—I call them job-lots—may be all right for statistical people to mull over, but they don't tell me a lot I'd like to know. I have found that an industrial group may have its average price go up, the same time that maybe 10 to 15 stocks of the block of stocks don't move hardly any. It seems to me, without complaining, you understand, that I most of the time own those that don't want to move. Such charts and figures are not much help to a person who wants to know not about a flock of stocks but about one or two, how they have been acting and their prospects.

F. X. M.

NEW YORK CITY

Petroleum companies with large undeveloped acreages of oil lands under lease seem, offhand, to control an asset of great value, for the period of the war and afterward. I refer to the oil to be recovered from such lands, of course, which, while not necessarily measurable in quantity, is *real* property . . . of a greater potential than we may realize what with synthetic rubber and many other new derivatives dependent upon petroleum at the same time that the machines both of war and of peace require oil in immense quantities. Yet, in considering oil securities as investments, it seems possible that this asset is being consumed without due recompense to the companies. It is only reasonable to believe that crude petroleum, lifted above ground, costs the producer more in 1943 than it did in 1940, but the OPA, thus far, has been firm against a price increase. Then, too, American companies are being called upon to furnish enormous quantities for the prosecution of the war, eating heavily into reserves and current production both. I do not like to see natural resources consumed at less than reasonable prices to the owners.

D. I. R.

The Exchange

A MAGAZINE OF THE FINANCIAL COMMUNITY

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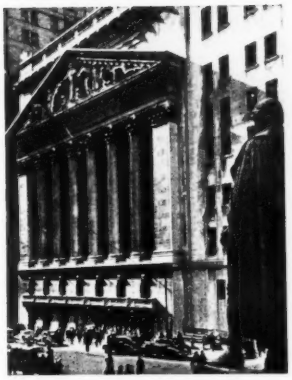

Sprightly Return of Market Wanderers

WHEN the Revenue Act of 1942 was passed last November, much public attention was devoted to the "relief" afforded by it to corporations, especially—as far as securities market calculations were concerned—to the railroads.

Two of the legal provisions will be recalled vividly. One in effect permitted corporations with bonds selling at a discount in the open market to acquire and thus retire them without considering the difference between purchase price and par as taxable profit. Many railroads had many bonds selling at large discounts and the roads were taking in a great amount of cash from war traffic, so it was natural for something of a financial furore to surround expectations about railroad debt retirement.

But it is worth mentioning that railroad corporations were not the only ones to benefit by this legislative action.

The second contribution to corporate easement can be summarized this way: if a corporate debtor were subject to excess profits taxes and it retired debt up to an amount equal to 25 per cent of its excess profits taxes, the debtor could get an immediate cash credit on its excess profits tax bill equal to 10 per cent of its excess profits taxes or to 40 per cent of its debt reduction, whichever was the lower.

PRICE PERFORMANCE OF PUBLIC UTILITY STOCKS

	July 15, 1942	July 15, 1943	Percent. Gain
—Preferred—			
Amer. & For. P. $6	21	76	261.9
Amer. P. & L. $6	17¼	41¼	139.1
Col. Gas & El. 5%	*34	69	102.9
Com. & Southern	24½	66¾	172.4
Cons. Edison	89½	104⅛	16.3
Electric P. & L. $6	20⅝	63⅝	208.5
Engineers Pub. S. $5	*49	81	65.3
Phila. Co. 6%	35	49⅛	40.4
Pub. Serv. of N. J. $5	*70½	92¾	31.6
United Corp.	11¾	33¼	183.0
—Common—			
Amer. Water Works	2⅝	7⅞	200.0
Col. Gas & Elec.	1¼	4½	260.0
Commonwealth Ed.	20	26⅝	33.1
Cons. Edison	13⅜	23¾	77.6
Electric P. & L.	1⅛	5½	388.9
Engineers Pub. S.	2	6⅞	243.8
North American	7⅜	16½	123.7
Pac. G. & Elec.	19⅝	29¾	51.6
Pub. Serv. of N. J.	10⅛	16½	63.0
So. Cal. Edison	18⅝	24⅝	32.2

(These 10 common stocks listed on the New York Stock Exchange are included among the 15 used to calculate the Dow, Jones & Co. public utility average.)

Bonds Listed on Stock Exchange

A. & For. P. 5s, 2030	64⅛	90	40.4
Amer. W. W. '75	*91	105½	15.9
Col. G. & El. 5s, '61	88½	102	15.3

*Bid price.

Again, the railroads advanced into the limelight, for were they not in excellent position to enjoy these elastic terms, referring to their large earnings and their desire to cut down debt? But the railroads were not alone among corporations in the line of rewards if, and when, they could apply the statute terms to themselves.

Public Utilities in Foreground

Public utility companies, although they received less popular attention than did the railroads, seemed to stand well forward among the beneficiaries of the two items of the Revenue Act. They did not have the large earnings of the railroads with which to retire debt, but the law apparently gave them the *right* to acquire a lower excess profits rate by such action, provided the Securities and Exchange Commission gave its approval. The feasible way for some of the utilities to gain a tax advantage from debt retirement, as the specialists realized, was by anticipating sinking funds and serial maturities.

Then a third provision of the Revenue Act impressed itself upon close observers of the public utility industry, although it was not publicized to any great extent. The law permitted all corporations previously allowed to consolidate earnings for excess profits tax purposes also to file consolidated *normal and surtax returns;* and it allowed the deduction of public utility operating

company preferred stock dividends from surtax net income.

The utility industry is the largest beneficiary under the consolidated earnings proviso because of its preponderance of holding companies.

These legal elements provide a high tower from which to view what has happened in recent months among the securities of electric power, light, natural gas and water companies. Statistics point up certain market events and supply investment and trading analysts with material for study of future problematicals.

A Glance Backward

In the November, 1942, issue of THE EXCHANGE Joseph P. Crosby discussed the new-born Revenue Act with especial reference to public utilities. For that month the lowest average price of 15 public utility common stocks used in making up the Dow Jones & Co. index was 13.85. From that level the average advanced until in the current month it reached 22.30—a rise of 61 per cent. Mr. Crosby referred to the legal provisions heretofore presented and, while his writing contained nothing to be construed as a securities market prophecy, hindsight indicates that the technical material he pointed out was employed by students of the public utility situation.

Reference to the accompanying tables of utility bond and stock price movements suggests, however, that active forces were at work in the market for some time prior to the passage of the Revenue Act. The prices, it will be noted, cover the twelve months ended July 15.

The Dow, Jones average price index recorded a sharp relapse of the common stock price front in the first four months of 1942, but from May onward a reconsideration of market values plainly occurred. The average price reached its lowest level along in April, the minimum closing price of that month being 10.58.

The lowest price of October last year was 12.25, and from that recording onward, practically every month saw an improvement. The average price advance from the lowest level of 1942 to the maximum of this year was in excess of 110 per cent!

It may be fairly reasoned, of course, that other forces besides those instilled by an altered Federal law began to operate on the side of price recovery a year ago, perhaps longer ago than that. Laws and their nuances may be interpreted by specialists in investments, but, for the ordinary investor and trader, elements more tangible usually shape public opinion. Have strictly realistic and tangible elements revealed themselves in the public utility securities market?

Presumably, a realistic molder of market opinion has been supplied by

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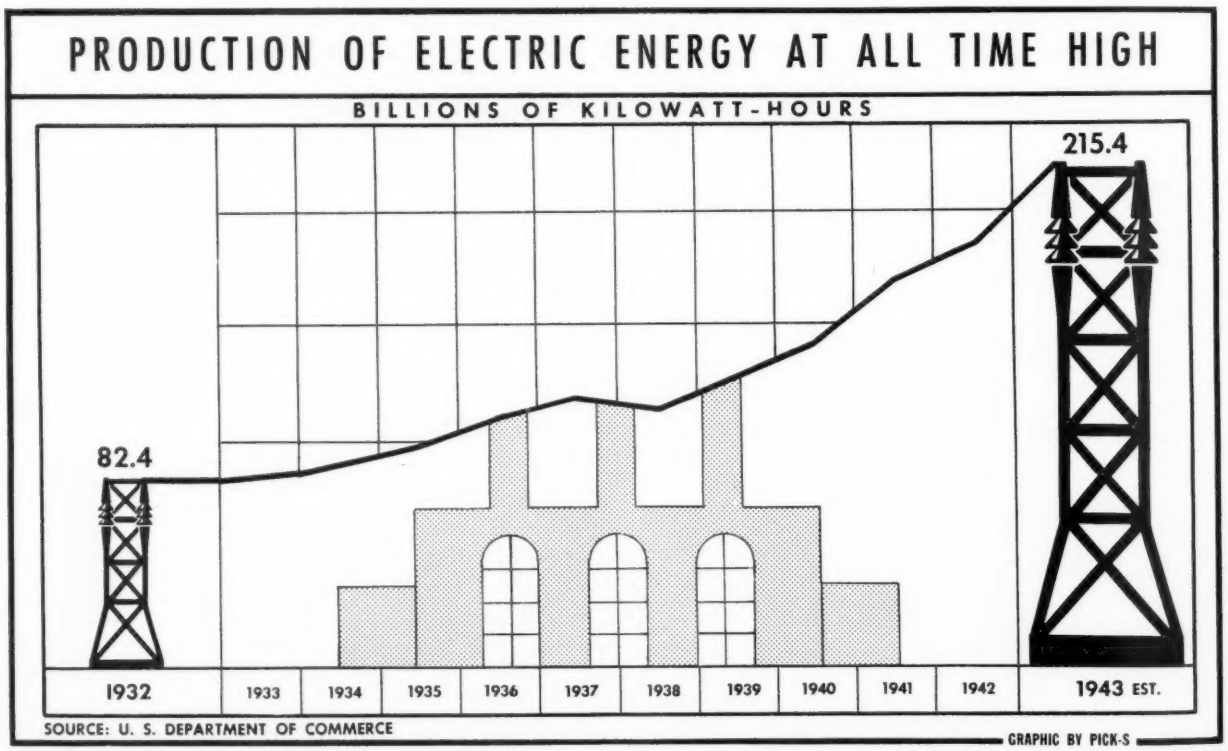
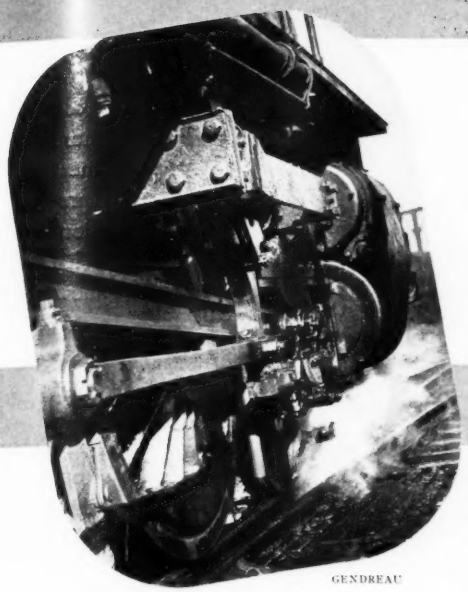




GENDREAU

An Approach TO REAL *WORTH* OF UNDERLYING BONDS OF MARGINAL RAILROADS

By Arthur C. Knies

MUCH has happened affecting railroading and railroad finance since 1938 and 1939. In those years a veritable slaughter of railroad bond prices occurred—when, prior to later revisions the Federal Bankruptcy Act (passed in 1933 with its "Section 77" amended in 1935) seemed to permit senior bondholders and common stockholders, with a host of distant relatives, to sleep all in one bed should corporate difficulties arise.

The Bankruptcy Act was rewritten in 1939 but before that event occurred great sentimental damage to railroad credit had been done. Give a dog a bad name and time is required for him to live it down. True enough, many reorganizations of Class 1 roads in the 1930's had supplied substance to the low estate of railroad credit, yet a host of bonds which were ruggedly protected by earning power were liquidated needlessly. They were sold out of portfolios and safe deposit boxes; and, while the buyers have seen their capital appreciate since they acquired bonds other persons and institutions were selling, prices in most cases still remain considerably below desired premium levels.

By Way of Illustration

This discussion is not intended to carry a banner for railroad bonds as a class. Not a word of sales talk for any particular bonds is contained in it. But an opportunity is taken to point to several significant new elements which have been introduced into the railroad debt situation, or to old ones of a character to promote intimate research into underlying mortgage issues of so-called "border-line" companies.

The psychology of railroad management has undergone a tremendous change for a number of reasons. During the '20's, borrowing was inviting to the railroads, because it was assumed debt could be refunded at maturity. We witnessed constantly expanding funded debt, *based on system credit.* Junior debt and debenture financing running into the hundreds of millions of dollars, and based on the assumption that rail regulation could so adjust rates as to give a fair rate of return upon the value of the property, undermined capital structures. The result was, of course, that the industry ended up in the "doghouse" with impaired credit.

And, besides, things have happened since then to sharpen investor investigation of railroad securities.

The gauge of safety in underlying bonds is density of traffic and ton-miles per dollar of debt. This is worthy of emphasis, although there is nothing new about it. It should be emphasized, reiterated and stamped in gold letters upon the charts of rail securities research men. The gauge has been in evidence in recent court decisions, and it appears more than probable that these twin measurements of railroad values will be even more considerately dealt with in future rail developments.

If you hunt for earning power (traffic density) and the influence of ton-miles

CUSHING

upon underlying mortgages, you will find articles of unchanging intrinsic value, regardless of market fluctuations. Bond interest on underlying debt has, for the most part, obviously been supported by earnings to a degree not generally realized. Tonnage supplying a bulwark to underlying main-line bonds is as steady as the old family servant used to be. An illustration of this assertion may be found in the midst of a railroad *system* which has recently come through reorganization . . . the Erie.

The Erie got into difficulties in 1938. It had outstanding an issue of New York, Pennsylvania & Ohio 4¼s under a mortgage on main-line of high traffic density and heavy ton-miles per dollar of debt. The bonds incidentally sold down to 45 in 1938, although the call price was 103, and they were called before reorganization was completed. They were called at the stipulated price and a new issue of 3¼s, Ohio Division bonds covered by a first mortgage on the same mileage as the New York, Pennsylvania & Ohio 4¼s, was sold to investors above par.

High Interest Coverage

Coincident with this offering, a prospectus was issued which stated that the average ten-year earnings on these bonds from 1931 to 1940 were almost *seven times interest requirements.* I'll leave it to you: in the public's opinion did the impelling fact rest in the inherent strength of these underlying bonds, or did investors buy them because the credit of the Erie had been restored?

In addition to the twin gauge of intrinsic values to be found in certain underlying bonds, a yardstick, if you prefer, which has long been applied by thorough investors, there is another newer instrument for measuring system credit. This one has come into prominence since 1940 and is being adopted by rail analysts because of implications pointing toward it to be found in Interstate Commerce Commission procedure in connection with reorganization plans. Perhaps this new yardstick could effectively be illustrated before we apply it to individual railroad situations.

Using 1940 as a guide—that year in railroading can, I think, be referred to as "normal" and may be expected to be normal for some time to come—8 railroads have been reorganized on the basis of fixed charges representing 6 per cent of gross earnings in that year, and on a basis of fixed and contingent charges, combined, of 9.9 per cent of the gross. These are the averages for the items referred to of the 8 roads. There are 10 other properties, the plans of which have been on view for some time, showing fixed charges of 5.5 per cent of 1940 gross and fixed and contingent charges, combined, amounting to 9.7 per cent of the gross.

Thus it may be inferred that no more than 10 per cent of gross needed to meet fixed and contingent charges represents the I.C.C.'s ideas of depression-proof solvency requirements. This method of measurement does not allow for such items as non-operating income, a point I would like to emphasize strongly—it is important in examining into underlying bonds of even "borderline" railroads. Some railroads loosely united in this class because of narrow margins of earnings above charges during several years of the uncomfortable 1930's were blessed with non-operating income and it came in mighty handy in the pinches.

Test of Durability

Before this 10 per cent of gross earnings is explored further, reference should be made to at least one more test of soundness in an underlying rail bond. Most people consider themselves analysts when they talk about "operating ratios" and "times interest earned." Very few seem to realize that "transportation ratio" is the most important component of the operating ratio because it reflects the true condition of a railroad and its ability to move traffic at its lowest cost. Such factors as train movement efficiency, degree of curvature, additions and betterments, etc., all roll into one in the transportation cost.

Also, very few people lay proper stress on what goes on in a railroad's accounts before the interest coverage item is reported. The inherent strength of a common carrier nowadays is very often lost sight of because of its susceptibility to excess profits taxes, or lack of tax carryovers. The searching investor should look for interest coverage *before* income taxes in order to get the real story.

I sometimes wonder, too, why

(continued on page 15)

Time for Broad-Gauge Surveys of Rail Bonds

Mention railroad bonds to the average man in the street and he will think you refer to bonds of companies going through reorganization. Those are the bonds he has heard most about for several years. They have figured in Supreme Court decisions and he has read about the Chicago, Milwaukee & St. Paul case, among others. The reorganization rails have been standing in the limelight of publicity for the very good reason that the decline in values for these issues was precipitate and without respect to individual merit. But that is no reason why investor thinking should risk getting off the main track as far as the bonds of other railroads go. By investor I mean institutions as well as individuals.

Author's Note

DIVIDEND PAYMENTS ON COMMON STOCKS LISTED ON STOCK EXCHANGE

WHEN common stocks are considered by industrial groups, the record of dividend payments for the first half of 1943 shows substantial increases to have occurred in the expected areas, for the most part. By and large, however, higher taxes than the year before, enlarged costs and, in many corporate cases, renegotiation of contracts, bore Dead Sea fruit in the form of restricted returns to stockholders.

Total payments for the six months were three-tenths of 1 per cent larger than in the same 1942 period.

Of the 27 groups noted in the table, slightly less than half paid out more than in the same period of 1942. Of the 596 listed companies here reported upon, dividend distributions were increased by 111, they were reduced by 141 (of which 17 eliminated or deferred payments), while 361 disbursed the same amounts as in the first half of 1942.

Groups whose earning power was sharply affected by war orders and war conditions marched ahead of last year in an impressive fashion. There were, however, some notable exceptions. The steel and iron group, for example, paid out less in dividends by 5.9 per cent, and public utility company payments receded 4.5 per cent. In contrast, aviation moved to the head of the class in point of disbursements, with an increase of 98.5 per cent, and the rubber department paid out 70 per cent more than the year before.

The railroads increased their stride. It will be recalled that enlarged rail earnings began to make themselves felt in the shape of dividend checks in the second half of 1942. For all of that year, nevertheless, the increase over 1941 was no more than 10.2 per cent. This year, considering the six months ended June 30, the rise was 31.2 per cent over the corresponding stretch of 1942.

The gain scored by the amusement group, centering in moving picture companies, was consistent with the record of earlier periods since the United States entered the war and public earnings began to grow. Heavy "movie" attendance was reflected by an enlargement of 27.6 per cent in dividend payments. A stronger tempo was disclosed in the figures than the story of all of 1942 told; for that entire year, this group showed an increase of 19.4 per cent over 1941.

DIVIDEND PAYMENTS OF COMMON STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE

—FIRST 6 MONTHS OF 1943—

Industry	No. of Issues Listed (6/30/43)	Number Paying Cash Dividends in First 6 Mos. 1942	Number Paying Cash Dividends in First 6 Mos. 1943	Number Paying Increased Dividends	Number Paying Same Dividends	Number Paying Reduced Dividends	Estimated Aggregate Amount of Dividend Payments: 1st 6 Mos. 1942	Estimated Aggregate Amount of Dividend Payments: 1st 6 Mos. 1943	Per Cent Change
Amusement	14	9	9	3	5	1	$ 5,451,000	$ 6,953,000	+27.6%
Automobile	63	36	45	16	19	12	74,821,000	74,963,000	+ 0.2
Aviation	18	3	8	6	1	1	5,131,000	10,184,000	+98.5
Building	24	16	16	2	11	3	8,383,000	7,981,000	— 4.8
Business & Office Equipment	9	8	8	2	6	0	6,108,000	7,829,000	+28.2
Chemical	66	58	59	5	38	17	103,698,000	95,815,000	— 7.6
Electrical Equipment	17	14	15	1	8	6	31,110,000	30,486,000	— 2.0
Farm Machinery	6	3	3	1	2	0	6,460,000	6,629,000	+ 2.6
Financial	29	22	22	2	15	6	25,248,000	25,804,000	+ 2.2
Food	57	42	44	5	28	10	49,515,000	49,088,000	— 0.9
Garment	5	4	4	1	2	1	1,177,000	1,032,000	—12.3
Leather	12	8	8	1	7	0	5,599,000	5,656,000	+ 1.0
Machinery & Metal	76	58	61	12	31	17	32,020,000	30,700,000	— 4.1
Mining	34	21	19	3	12	7	40,093,000	36,122,000	— 9.9
Paper & Publishing	26	22	20	3	14	5	6,196,000	5,278,000	—14.8
Petroleum	37	25	26	2	22	2	87,769,000	89,031,000	+ 1.4
Railroad	78	38	45	15	25	7	67,321,000	88,349,000	+31.2
Retail Merchandising	64	47	52	10	29	11	52,480,000	51,613,000	— 1.7
Rubber	7	4	7	5	2	0	3,159,000	5,369,000	+70.0
Shipbuilding & Operating	10	8	8	1	7	0	3,656,000	4,284,000	+17.2
Steel, Iron & Coke	37	26	29	4	17	8	47,712,000	44,897,000	— 5.9
Textile	23	16	15	2	13	1	7,596,000	7,695,000	+ 1.3
Tobacco	19	16	16	0	6	10	29,691,000	26,622,000	—10.3
All Public Utilities	49	29	29	3	20	6	148,742,000	142,022,000	— 4.5
U. S. Co.'s Operating Abroad	24	10	10	2	7	1	17,134,000	15,448,000	— 9.8
Foreign Companies	13	11	11	1	7	4	26,775,000	25,698,000	— 4.0
Other Companies	18	6	7	2	4	2	2,567,000	2,631,000	+ 2.5
Total	835	560	596	111	361	111*	$895,612,000	$898,179,000	+ 0.3%

* Payments were reduced on 124 issues and eliminated or deferred on 17.

Electronics...

THE industrial horizon has been set aglow by much discussion of electronics as an adjunct to vast peace-time developments. Television, of course, epitomizes public expectation of great things to come, urging the imagination to race on into the future—so far ahead of events that the practical use of electronics in one form or another *today* may easily be slighted.

Millions of dollars of capital have been profitably devoted to electronic products for years on end. Millions of dollars worth of equipment are being employed in widely different departments of industry. You can start to recount electronic facilities with an article so commonplace that everyone in America knows about it . . . the radio tube!

R. R. Beal, Director of Research for the Radio Corporation of America, reviewing important contributions to business and research by the field of electronics, emphasizes the part already being played by the new science.

"The use of radio-electronic tubes has been extended to nearly all fields of science and industry," he declares. "No task is too heavy, too precise, or too fast for them to perform. Radio tubes are the control elements in devices which open doors, bring elevators to a level line, operate timing devices, and ring alarm bells. They are used in apparatus for smoke detection and fire prevention. They count and sort merchandise, match colors and match the thickness of materials to the thickness of an inch.

Versatility

"They measure humidity and atmospheric pressure and control temperatures. They check the presence in gases and liquids of solids which escape the human eye. Often it is said that these versatile electron tubes and the devices employing them can talk, hear, see, remember, count, taste, calculate, measure, heat, control and accomplish any number of tasks.

"More recently electron tubes have been finding new and constantly expanding applications in industry. Some of these uses are in the field of radio-frequency heating. They show excellent promise of speeding and increasing the efficiency of industrial processes and, at the same time, expanding their scope. . . .

"Radio-frequency power, or radio-thermics, finds use in the drying of textiles. It is proving of great advantage in this field since it heats the material in the center at the same time as it is heated in the outer layers. Uniformity of drying temperature throughout the material usually produces a better product than can be achieved by methods which apply heat from the outside only. In one example, the drying was completed in about one-fiftieth of the time required by present methods, and the radio-heated product was declared to be superior.

"The radio-frequency sewing machine uses the principle of radio-thermics. That is a device for bonding thermoplastic sheets together along a seam in a continuous process. Instead of the needle and thread this machine uses radio-fre-

MAKERS OF ELECTRONIC EQUIPMENT

Thirteen of the prominent primary manufacturers of products by science and industry in the advancement of electronics are listed on the New York Stock Exchange. The names include pioneers in their field:

Crosley Corporation
General Electric Co.
General Precision Equipment Co.
International Tel. & Tel.
Minneapolis-Honeywell Co.
Philco Corporation
Radio Corp. of Amer.
Sparks-Withington Corp.
Sperry Corporation
Sylvania Electric Products Co.
Westinghouse Elec. & Mfg. Co.
Weston Elec. Instrument Corp.
Zenith Radio Corp.

Elaborate laboratory facilities are maintained by such companies as these, pressing their inquiries into the future.

ALREADY A COMMONPLACE ELEMENT IN AMERICAN SCIENCE AND INDUSTRY, PROMISING GREAT USAGE FOR THE FUTURE

quency power. Instead of woven cloth it works on thermoplastics such as Pliofilm, Vinylite, and Koroseal, the new synthetic materials which are finding wide application in the making of raincoats and caps and weather balloons, and in the packaging of many types of food and oils. It makes a thin, solid seam that is airtight and watertight, creating a bond that is stronger than the material itself. This radio-sewing machine overcomes many fabrication difficulties involved in the conventional process methods as applied to these thermoplastics.

In Field of Metals

"Radio-thermics is of great use even in processes which require the heat treating of metals. Radio-frequency current is especially suited to work in this field, since the depth to which it penetrates into the mass to be treated can be controlled. It is also a much more rapid process than of those now in use.

"Radio-thermics is applied in detonating explosive rivets which are used in inaccessible places in the construction of airplanes. A previous method required the use of a hot soldering iron or its equivalent, which was held to the head of the rivet until it was fired. With the radio-frequency detonator the charge explodes when the temperature is raised by inductive heat. There is no metallic contact with the head of the rivet.

"Radio-frequency heat, or radiothermics, shows promise of very intensive applications in industry for all manner of operations, including those of annealing, welding, drying, gluing, curing, and cementing. Also, it shows some promise of being useful in deactivating enzymes in the preparation of dehydrated food.

"In the aviation field, radio-frequency research has added immeasurably to the progress and safety of flying.

"As something of a measure to the extent of the application of the products of radio-electronics, it can be stated that today electrons are at work in more than 56,000,000 radio sets in American homes and automobiles; also in every broadcasting station and in every radio station of the world, whether it be ashore, afloat, or aloft.

"More than 150,000,000 electron tubes are produced each year, chiefly for radio electronic communications, but with ever expanding applications which extend radio electronics into industry.

"I am aware that in Wall Street the future usually is discounted in advance; that the market is sometimes considered a barometer of great events about to happen. I can tell you, however, that in such a fast-moving field as electronics, discounting even tomorrow is most difficult; and so rapid are the developments in this realm of science, that our research men learn new secrets of Nature almost daily . . ."

Photos of Cathode Ray Tubes are from Sylvania Electric Products, Inc.

new listing

BEECH AIRCRAFT CORPORATION

400,000 Shares of

Common Stock, Par $1

Ticker Symbol: BEE

COMMON stock of the Beech Aircraft Corporation, a Delaware company, has been approved for listing on the New York Stock Exchange.

The company began in 1943 its eleventh consecutive year of designing and manufacturing military and commercial types of single and twin-engine Beechcraft planes. Its President and Chairman, Walter H. Beech, Secretary-Treasurer O. A. Beech, and Vice-Presidents T. A. Wells, and R. K. Beech, directed the affairs of the Travel Air Company, organized in 1923, and in 1929 produced more than 25 per cent of the commercial aircraft sold in America. These executives in 1932 organized the Beech Aircraft Company, capitalized at $25,000, for the purpose of producing high-performance airplanes of advanced design.

Incorporated in 1936 with capitalization authorized at 500,000 shares of common stock, the Beech Aircraft Corporation added new models to its line of aircraft and expanded its market.

The sale of Beechcrafts to commercial users (private owners, business firms, charter and photographic operators, and feeder airlines) and to the United States and foreign Governments, continued on an increasing scale up to the start of the National Defense program in 1940 when all effort was devoted to military production.

In 1939, Beech Aircraft received its first orders from the United States Army Air Forces and Navy Bureau of Aeronautics. The types produced—single-engine biplane utility transports, and Army F-2 photographic and C-45 personnel transport twin-engine all-metal monoplanes—were adaptations of the commercial models already in production.

In 1940, national requirements brought to Beech Aircraft more than $22,000,000 in additional orders from the United States armed services, for

(continued on page 14)

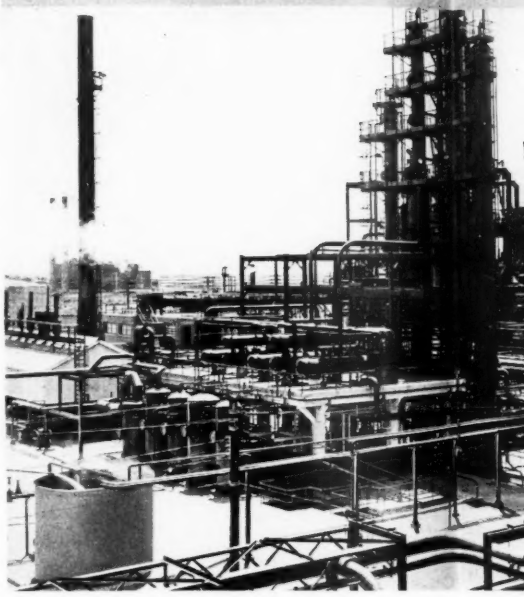
new listi

GULF OIL COR

9,276,202 Share

Capital Stock, Par

Ticker Symbol:



ANOTHER great American oil company is scheduled to join the distinguished group of the oil industry whose shares are listed on the New York Stock Exchange. Approval of the Board of Governors of the listing application for 9,276,202 shares of Gulf Oil Corporation has been granted and initial transactions in the stock on the Exchange are expected to begin on July 26th.

Incorporated in Pennsylvania on August 9, 1922, the organization succeeds the Gulf Oil Corporation established under New Jersey laws in 1907.

Gulf Oil is engaged in all phases of the petroleum business—exploration, production, refining, transportation, marketing, and research. The company's oil reserves for the future are exceptionally strong and well trained

w listing

L CORPORATION

9,276,202 Shares

pital Stock, Par $25

icker Symbol: GO

staffs of geologists and geophysicists constantly are in the field searching for additional acreage having high oil and gas potential possibilities. It has some 10,000 currently producing wells and holds over 10 million acres of producing and prospective oil and gas properties.

The petroleum products sold by the company and its subsidiary, the Gulf Refining Company, are refined in eight modern plants located at Port Arthur, Sweetwater, Fort Worth, Cincinnati, Toledo, Pittsburgh, Philadelphia, and New York. The daily crude oil capacity of these eight refineries is 292,800 barrels. This compares with a daily capacity of 211,000 barrels of five years ago, the increase resulting from improved refinery operations, improved plant facilities, and the completion of several new units.

Many Outlets

Sales to the consuming public are made through approximately 6,918 owned or leased service stations and through an additional 23,000 dealer outlets. Sales to industrial plants are made by company representatives and deliveries are made from more than 1300 distributing plants throughout 29 States and the District of Columbia where the Gulf companies market automotive, aviation, industrial, and household products.

For years the company has had important marketing outlets in Europe through the ownership of well-established subsidiary marketing companies and other investments. At present, emphasis is being placed on the future development of South American and other foreign markets.

Gulf is a highly important producer of crude in South America. The Mene

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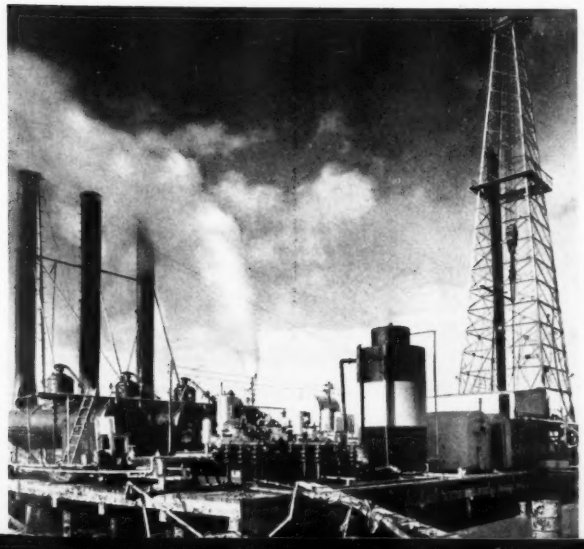

Gulf Oil's 100-octane gasoline plant in Texas (Center). Beechcraft assembly lines (left). Gulf Oil modern drilling equipment (lower right). Empire Gas aviation gasoline plant (upper right).

new listing

EMPIRE GAS AND FUEL COMPANY

$20,385,800

3½ Per Cent Sinking Fund Debentures

Ticker Symbol: EGF

THE Empire Gas and Fuel Company is a holding company with two subsidiary corporations which are engaged in producing, refining and marketing petroleum and in the production and sale of natural gas. In addition, it owns securities of other concerns in the same fields. In 1942 approximately 55 per cent of the consolidated net operating revenues of the parent and subsidiaries was derived from the petroleum business, the remainder coming from natural gas.

Incorporated in Delaware in 1919, Empire Gas and Fuel Company has added to its securities investments in operating concerns until now its interests are vested in producing and distributing properties located in 18 States, notably in the Southwest. A subsidiary—Cities Service Oil Company—markets its petroleum products generally in the greater Mississippi Valley and owns, or holds a stock interest in, various pipe line companies serving

(continued on page 12)

Gulf Oil Corporation Listing

(*continued from preceding page*)

Grande Oil Company, C. A., a Venezuelan corporation, is a wholly owned subsidiary engaged in the production, transportation, and purchase of crude oil from lands covered by concessions from the Venezuelan Government. Another subsidiary, the Mexican Gulf Oil Company, produces and sells a relatively minor amount of crude oil in Mexico.

Through a 50 per cent interest in the stock of the Kuwait Oil Company, Ltd., Gulf shares in the long term oil concession on an area of approximately 3,897,155 acres along the Persian Gulf. Operations in this area were halted by war developments in July, 1942, but prior thereto nine wells had been completed in the proven area of production, which indicated a very large oil reserve. A wholly-owned subsidiary holds the long-term sulphur concession on the same area.

The Gulf Oil Corporation and its subsidiary companies also have substantial stock investments in a number of corporations engaged in related business. Included in these holdings are shares of the Texas Gulf Sulphur Company, United Petroleum Securities Corporation, the Southeastern Pipe Line Company, Project Five Pipe Line Corporation, Toledo-Northern Pipe Line Company, and Detroit-Southern Pipe Line Company.

Few, indeed, are the corporations or individuals that have not been propoundly affected by the war, and Gulf is no exception.

The diversion of Gulf tankers to the service of the U. S. Navy and our Allies made it necessary for Gulf to reorganize completely many phases of its transportation and distribution systems. The most prominent example is the switch to the use of tank cars to haul crude oil to eastern refineries and products to bulk distributing points in the East.

Another example is the revamping of pipe line systems and in this activity Gulf has played an important part. In cooperation with the Government, Gulf and other members of the oil industry have built many new lines, some of them largely from pipe and equipment salvaged from other operations. They also have increased the capacities of existing lines. Other lines have been reversed, and where they were formerly used to transport finished products west from the Atlantic Seaboard, they are now surging with crude on its way to East Coast areas.

Pipe Line Set-Up

A prominent War Emergency Pipe Line, in which Gulf has played a major part, is known as "Project Five." By means of this line and the reversal and conversion of other lines, products are brought overland from Texas refineries to Helena, Arkansas, on the Mississippi River. Here the oil is loaded in barges and towed upstream to Ohio River ports where it is transferred to tank cars and hauled by rail to its destination in Eastern areas. This operation illustrates the expanding use that Gulf is making of inland waterways transportation.

To help meet the Air Forces' demands for greater quantities of aviation gasoline, Gulf recently put into operation at Port Arthur a new 100-octane plant. Another similar plant rapidly is nearing completion.

In addition to fuels and lubricants for mechanized war equipment, the war is making entirely new demands on the petroleum industry. One such demand is for toluene—a petroleum product used in the production of the explosive trinitrotoluene, more generally known as TNT. As its part in this program, Gulf within the last month put into operation a new plant which is producing toluene in sizeable quantities.

Butadiene, for the production of synthetic rubber, is another petroleum product that the petroleum industry is being called upon to supply in vast quantities. In this connection, Gulf and four other oil companies organized the Neches Butane Products Company to operate a butadiene plant being built for the government and scheduled for opening within the next few months. This is one of the largest plants in the program and Gulf is a major supplier of butylene, the feed stock for this plant.

In the field of research, Gulf is one of the leaders of the industry. At its Harmarville laboratory (near Pittsburgh), as well as in the field and at its refineries, research and long-range planning proceed at an ever accelerating pace.

Geophysical crews, a part of Gulf's research organization, are constantly seeking areas where future oil production holds unusual possibilities. In addition, progress continues on the development and perfection of materials and methods to increase effectiveness in the production, refining, and transportation of oil.

Problems of military importance are receiving particular attention in the current research activity. New or improved methods and processes relating to the production of high octane gasoline, the recovery of constituents required for explosives, the manufacture of butadiene for synthetic rubber, the development of new lubricants for military use, and the production of chemicals for specific war purposes have resulted from this work. Research also has been conducted on devices and tools of warfare and on special problems relating to the use and improvement of military and naval equipment, some of which are military secrets.

(*continued on page 12*)

SMALL (EX) CHANGE

By BARNETT RAVITS

PIONEER investment counsellor or champion of risky speculation in securities—how is Samuel Butler, eminent English philosopher and novelist of mid-Victorian times, to be ranked? And why mention his ideas at all in these rushing days?

Mainly for this reason . . . Butler (1835-1902), was one of the early supporters of the common stock theory of investment which afterward laid dormant until the 1920's, and currently is receiving considerable attention, aided by statistical information of an extent never dreamed of in the 1870's. Yet the *investment* thought which Butler pursued would be considered today as rather extreme speculative thought.

Business Background

Theory with him had a background of practical business experience—he reputedly made $40,000 raising sheep in New Zealand before reaching 27 years of age, and promptly lost this capital in Canadian securities investments. Daunted not at all, he considered this set-back a valuable contribution to his knowledge of life. Later, in his classic novel, "The Way of All Flesh," his treatment of the hero's loss of a large sum of money through stock speculation and misplaced trust in a friend, was unique in literature.

Instead of administering a trite scolding to his character, cautioning him to stay away from stocks, Butler rendered an astonishing verdict. "I can fancy," he wrote, "few pieces of good fortune greater than this happening to any man." Why did Butler look upon a speculative reverse as a favorable development?

His "Note Books" provide a clue to his viewpoint. He wrote: "If a man is to die rich, he must go through the embryonic stages with his money as much as with his limbs." One should expect some errors in acquiring a knowledge of how to make money, he reasoned, and no one can guard himself against losing all his capital until first he has lost some.

Butler evidently felt that the sheltered or precociously successful young man was at a disadvantage and, like an untaught or too confident animal, he must suffer in the struggle for existence. A sharp reverse sharpened a man's wit and toned down the pride that might precede disaster. A visit to the "cleaners," as we used to say, would furnish a tonic jolt which should open the eyes of the fledgling and help to awaken him to the fallacy that stock exchanges comprise a rose-strewn path to fortune.

The philosopher learned, as his writings show, to believe that a speculative loss can teach those who want to learn about the stock market, employing the market as a means for conserving wealth rather than as a medium for increasing it by some brilliant venture.

But the practical philosopher would cut down the necessity of a young man's exposing himself to the shock of severe losses. In the "Note Books" there are passages sharply criticising parents for keeping sons in ignorance of ways in which money is made or lost. Monetary management, he argued, should begin at home; but he did not favor the lecture and textbook method of financial education, for he considered universities "the worst teachers in the world"; they would end by "teaching young men neither how to speculate, nor how not to speculate, but would simply turn them out as bad speculators."

Torch Bearer

Butler was away ahead of his times—and of present times as well—by proposing that tutors in speculation be installed in all preparatory schools. There, under supervision, the students would read the best financial periodicals and establish a stock exchange for themselves wherein they would trade with pennies. In this way they would learn by practice how difficult it is to make money quickly. Also, the students would discover which of them had, and which did not have, a talent for speculation.

Butler doubtless shocked many contemporaries—his masterpiece of speculative discussion was completed in the form of a novel in 1884—when he chided people who asserted that they did not look for capital appreciation, or claimed to have no speculative desires. Such individuals, he declared, were the ones who fell hardest at the approach of stock swindlers.

Anyone buying even the most conservative investment, he told his readers, had made a commitment into the future and, by definition, must therefore be classified as a speculator. To seek only the soundest investments, British Consols for example, gave no guarantee against loss. Such purchases restricted one's income needlessly. Good common stock, on the other hand, offered both the prospect of greater capital growth and larger income.

All this, mind you, was nearly 60 years ago, when, according to the newspapers then current (it was not long after the resumption of specie payments in the United States, following the Civil War paper money splurge) speculation, although common enough, was frowned upon by the "best people."

Ahead of His Time

And he illustrated his theme through a medium which, nearly two generations later, was to have a popular vogue for a time . . . money multiplication.

An aunt of one of his heroes left the latter £15,000 in bonds, with instructions in her will that these should be sold and the proceeds reinvested in Midland Railway ordinary (common) stock. The investment remained unchanged from 1850 to 1861. Midland was then sold and the capital reinvested in North-Western Railway ordinary shares. In 1882 this stock was still held. The investment, along with reinvested dividends, had risen in market value to £130,000, or more than an eight-fold increase over the original sum in 32 years.

The radical terms of the will and its execution were certainly a departure from the rigid *investment* principles of the period. In order to appreciate Butler's unusual approach to the management of capital, it is necessary to be reminded that it was not until 1862 that Parliament gave official approval to the principle of limited liability, and thus sanctioned common stocks. Butler began the presentation of his theories, as told in "The Way of All Flesh," in 1872.

Even today Butler's philosophy about buying and selling securities would be termed a bit unorthodox. His daring and vigorous conceptions might not appeal to everybody or fit all investment requirements. Time has not, however, withered the essential force of his doctrines. If the novelist foreshadowed the development of the common stock theory of investment, which was to rise abruptly more than 40 years after he elucidated it in fiction, it was just another one of his "future-piercing suggestions," as George Bernard Shaw styled them.

New Listings on Stock Exchange

Gulf Oil Corporation

(continued from page 10)

In the field of motor fuels and lubricants research continues, emphasized and made more important by what seems to be the certainties of post war demand. Likewise, in the field of industrial lubrication, Gulf research is pointing the way to far reaching accomplishments.

Gulf's domestic sales of refined oil products in 1942 amounted to 84,338,000 barrels, against 92,385,000 barrels in 1941. Export sales, principally in bulk shipments, aggregated 3,377,000 barrels in 1942, compared with 1,254,000 barrels in the preceding year.

During the three years ended December 31, 1942, cash dividends on the capital stock charged to surplus were $1.25, $1.50, $1.50, respectively, in the form of 25 cents per quarter as a regular disbursement along with extras.

Empire Gas and Fuel Company

(continued from page 9)

markets chiefly in Kansas, Oklahoma and East Texas.

The other subsidiary—Cities Service Gas Company—derives its natural gas principally from wells in the Texas Panhandle area, while it buys from other producers in various fields of Oklahoma and Kansas. It owns and operates a natural gas pipe line system in Texas, Oklahoma, Kansas, Missouri and Nebraska. The company sells only at wholesale.

The parent organization's investments in non-controlled companies include 50 per cent of the capital stock of The Texas-Empire Pipe Line Company, which operates a trunk crude oil pipe line system extending from points in Oklahoma, Kansas and Illinois to the refinery area in the vicinity of Chicago; and 10 per cent of the capital stock of Texas-New Mexico Pipe Line Company, operating gathering lines in fields of southeastern New Mexico and West Texas, along with a trunk line from those areas to San Antonio and Houston. These common carriers transport a substantial part of the crude oil and natural gasoline produced by Cities Service Oil Company.

Distribution of net production of crude petroleum, as reported to the New York Stock Exchange in connection with the listing of Empire Gas and

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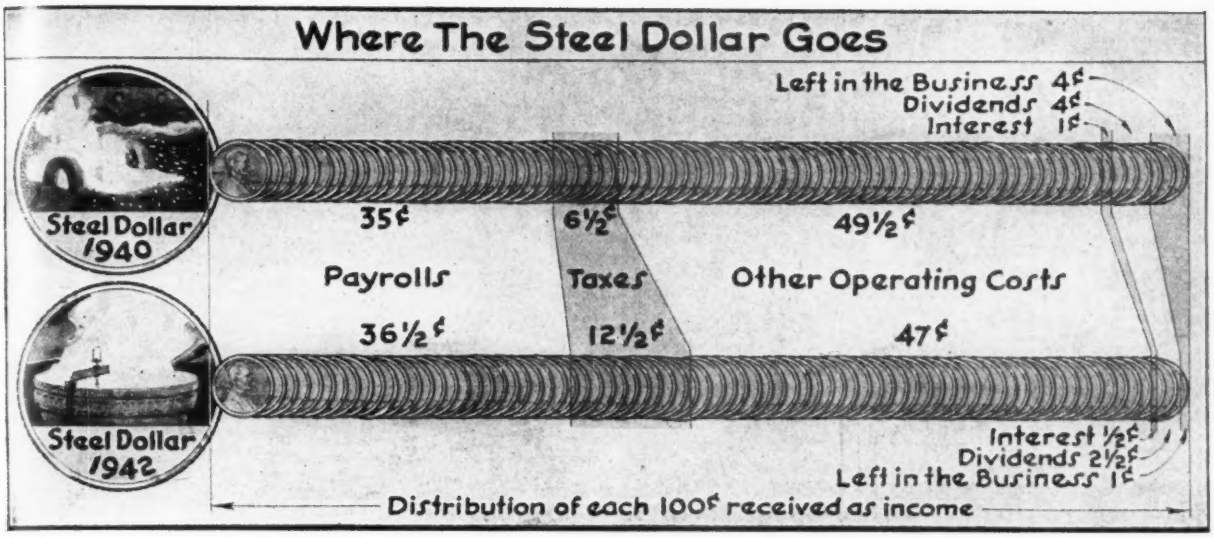


Steel In War Time . . . Some Pertinent Information

OPERATING expenses absorbed 96 cents of the American steel industry's sales dollars in 1942—2½ cents more than in 1941, and 5 cents more than in the last closest peace-time year of 1940.

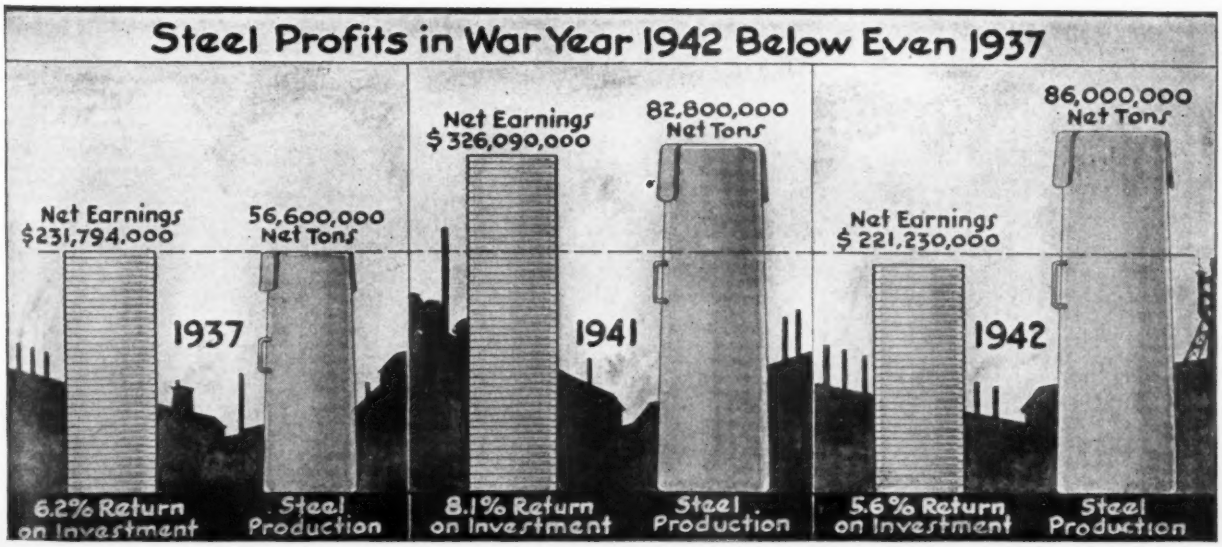
Of the 4 cents left over, 2½ cents were distributed in dividends, a half-cent went to bondholders as interest on their investment, and the final half-cent was added to the steel companies' surplus as reserve for future needs. In 1941 stockholders received 3 cents of each dollar of sales by the corporations, a half-cent went to bondholders, and 3 cents were left in the business.

Taxes, consuming 12½ cents of each dollar, accounted for a full cent more in 1942 than the year before, the amount being more than three times the tax-per-dollar of sales paid out in the boom year of 1929. The largest *percentage* increase of operating items occurred, however, in payrolls, 10 per cent more than in 1941 being taken by the tax collector in 1942.

The upper chart tells the story graphically; and the lower chart shows how the industry's income fared in 1942. Net earnings in the year of largest production ever brought a return of 5.6 per cent on investment. The statistics comprise those of 75 companies accounting for more than 90 per cent of the industry's total production. The analysis of data was prepared under auspices of The American Iron & Steel Institute and issued in "Steel Facts," a publication which treats technical subjects in simple terms.

Taxes Paid By Group of Major Steel Companies

	Total Taxes Paid			Production Finished Steel (Net Tons)	Taxes Per Ton	Total Gross Sales	Per Cent Taxes to Gross Sales
	State and Local	Federal	Total				
1929	$59,491,012	$36,110,708	$95,601,720	36,745,816	$2.60	$2,438,000,000	3.9%
1930	57,429,410	20,170,595	77,600,005	28,008,437	2.77	1,864,000,000	4.2
1931	54,868,439	1,805,527	56,673,966	18,446,273	3.07	1,223,000,000	4.6
1932	51,561,454	424,838	51,986,292	9,753,230	5.33	683,000,000	7.6
1933	48,685,062	2,656,281	51,341,343	15,694,605	3.27	933,000,000	5.5
1934	48,463,754	7,559,431	56,023,185	17,487,036	3.20	1,131,000,000	5.0
1935	50,128,091	15,356,887	65,484,978	22,173,160	2.95	1,481,000,000	4.4
1936	61,214,236	36,109,532	97,323,768	32,648,307	2.98	2,090,000,000	4.7
1937	83,401,173	73,212,250	156,613,423	35,399,234	4.42	2,738,000,000	5.7
1938	72,025,232	20,864,578	92,889,810	20,100,939	4.62	1,647,000,000	5.6
1939	84,384,286	47,851,764	132,236,050	33,496,068	3.95	2,422,000,000	5.5
1940	92,309,938	107,458,675	199,768,613	43,072,783	4.64	3,147,000,000	6.3
1941	113,019,650	410,230,838	523,250,488	54,897,867	9.53	4,639,000,000	11.3
1942	114,457,567	575,722,619	690,180,186	54,628,075	12.63	5,489,000,000	12.6



New Listing—

Beech Aircraft Corporation

(continued from page 8)

further adaptations of the commercial types of Beechcrafts. The Air Forces type AT-7 navigation trainer, its AT-11 bombing trainer, and the Navy type JRB-1 and JRB-2 personnel and utility transports, all were variations of the commercial twin-engine all-metal Beechcraft. Production facilities were immediately expanded to handle this increased volume of business, which by 1941 (the last year for which published figures are available) had reached a back-log exceeding $85,000,000.

Continuous control of Beech Aircraft's affairs by management officials has been reflected in a highly favorable labor relations situation.

Prior to 1940, Beechcraft biplanes and twin-engine monoplanes were in use throughout the United States and in 23 foreign countries, and served on feeder airlines as far removed as India, Brazil, Iceland, and Canada. The pattern is already set, according to the company, for a resumption of production for such peace-time uses, with the cessation of hostilities.

Net sales and net income (after provision for all Federal and State income and excess profits taxes) reported for the past five years have been as follows:

	Net Sales	*Net Profit*
†1942.....	$59,592,953	$2,417,818*
1941.....	8,062,203	512,914
1940.....	2,345,254	68,453
1939.....	1,328,296	91,479(d)
1938.....	1,141,398	1,609(d)

†Fiscal year ends on September 30th.

*After tentative provision for refund to the Government on renegotiation of war contracts under P. L. 528, and subject to additional adjustment.

d Deficit.

Sprightly Return of Market Wanderers

(continued from page 2)

early results of the Public Utility Holding Company Act of 1937. It may be argued that from 1937 to 1940, when public utility securities were decidedly unpopular, the shock caused by the "death sentence" mandate for many holding companies was being absorbed. From 1940 to 1942, while the philosophy of the Securities and Exchange Commission was being formed and regulations under the Holding Company Act were in the draftsmen's hands, the utility field came in for a great deal of public study. Then, when dissolutions following the "Section 11 (b)(1) and (b)(2)" order of the SEC became the order of the day, light began to break through the clouds.

A Past Parallel

For a parallel to what has followed, reference seems logical to events of importance, marketwise, which followed the Supreme Court's order of dissolution for the old Standard Oil Company in 1911. Standard Oil shares might sell for upwards of $600 each on the day of the decree, but the public had a vague idea, indeed, about what they were actually *worth*. Worth, that is, in terms of the stocks of Standard's subsidiary companies, then ordered to set up for themselves.

The outcome of that dissolution and liquidation has long been history . . . highlighted by some who view history from the sensational angle by action of the Standard Oil of Indiana, one of the subsidiaries, in declaring a 2,900 per cent stock dividend!

The parallel is not too far-fetched, but the implications of the old anti-trust suit seem inapplicable to the public utility holding company situation of today. The parallel may, however, be carried further. Liquidation of holding companies has disclosed something which received comparatively little thought for some time after the "death sentence" jolt was felt by the market. The market of 1942-43 has, to a degree, shown that the securities of operating companies, in process of distribution under the Holding Company Act, are tagged with a higher value in the open market than were the securities of the holding companies, themselves, not so long ago.

By reverse reasoning, if the securities of operating companies, which must be distributed under law and regulation, are worth more in the market than was expected a year or two years ago, then the liquidating values of holding companies bonds and preferred stocks, not to mention common stocks, should be higher than was expected. Hind sight suggests that speculation in all of these issues of holding companies has this year been stimulated by *expectation* based on holding company dissolution.

The recovery of utility securities prices, which gloomy critics thought during the "dog house" days of the late 1930's was practically impossible, has occurred in the face of a strong deterrent to price advances. Taxes of many origins are on the rise; despite relief to be found in the Revenue Act of 1942, the upward tendency of imposts on earnings is an inevitable product of war. Operating costs, too, are drifting upward, notably the cost of raw materials,—the while that replacements and new construction are restricted by priorities.

The chart on page 2 depicts an obvious counter to taxes and costs, although the degree to which great volume production of electric energy in these times stands as an offset to those items cannot be visualized altogether or reduced to statistical terms.

An Approach to the Real Worth of Underlying Bonds of Marginal Railroads

(continued from page 4)

equipment and joint facility rents are not more closely considered than they are when rail bonds are analyzed. These items are almost a part of the operating ratio, in some cases; they will appear prominently in the exploration which is to follow, employing the Northern Pacific as a test case.

Even in the securities "trade" much surprise was expressed during the past decade because Northern Pacific not only kept solvent in the midst of traffic starvation but did not even have to borrow any money! Superficially, this road's statistics were far from impressive back there. The average operating ratio for 1936-40 was 78.7 per cent, which meant that nearly 78 cents out of every dollar earned in running the system was consumed by costs of operation. Yet, if we take the Northern Pacific's statistics apart and look at them in detail in the light of the 10 per cent-of-gross-earnings method for considering rail ruggedness, we really discover something.

Considering a Normal Year

First, let's make adjustments necessary to the year 1940. In that year the railroad industry, as a whole, had an operating ratio of 71.9 per cent, against Northern Pacific's 75.1 per cent. But the industry also had a debit for "hire of equipment and joint facility rents" of 3 per cent, while Northern Pacific had a credit of 1.54 per cent for the former item and a credit of 3.58 per cent for the latter. Adding and subtracting these percentages you have 74.9 per cent of operating ratio plus the two debits for the entire industry, and a total of 70 per cent for Northern Pacific.

That this particular year was no flash in the pan is shown by the fact that the six-year average of 1935-40, inclusive, for the industry was higher than in 1940 alone.

Applying the 10 per cent formula to Northern Pacific, the result would indicate that $94,000,000 of debt retirement would be necessary as of December 31, 1940, after non-operating credits to get down to a proper ratio of charges to gross. Still, non-operating credits are earned money. An unsound approach would be to capitalize the full 8 per cent difference between the Class 1 roads and Northern Pacific at Northern Pacific's going interest rate. It would be logical and reasonable, nevertheless, to capitalize the road's joint facility rents, amounting to 3.58 per cent. This, roughly, would support $53,000,000 of debt, leaving $41,000,000 to be accounted for under the 10 per cent theorum.

It happens that, as of March 31, 1943, Northern Pacific had $31,000,000 "free cash," meaning cash above the amount of till money required for the railroad's needs. Something beneficial in strengthening the company's capital structure will result from this excess, with a direct bearing upon the property's underlying bonds.

Or take the Chicago, Burlington & Quincy as another exhibit. A lot of institutional and individual investors "soured" on Burlington's bonds in 1939, when a kind of mob psychology brought much selling of underlying bonds along with others. The Burlington did, indeed, experience hard times, but none the less, the road's interest coverage for the 8 years of 1933-40, inclusive, was almost 1½ times; and, as a rather odd coincidence, Burlington's capital structure was such that its fixed and contingent charges were just about 10 per cent of gross in 1940, exclusive of non-operating revenue, and well under the mark with this item included. The amount of debt retirement necessary to bring Burlington's charges down to 5 per cent of the 1940 gross is a distinct possibility.

A Broad Field

The properties used to illustrate a philosophy well worth while in pursuing investment research among much kicked-around underlying railroad bonds are only two of many that could be referred to. In an effort to leave a definite imprint, an observation based on experience in the rail field is presented:

The rail investment problem does not lend itself to generalizations. Rail bonds should never be bought or sold as a group. They are as individualistic as humans.

(This article is based upon an address delivered by the author before the Convention of the Massachusetts Savings Banks Association at Andover, Mass, on June 15, 1943.)

Empire Gas and Fuel Co.

(continued from page 12)

Fuel Company debentures, was as follows in 1942:

State	*Net Production (Bbls.)*
Kansas	10,573,146
Oklahoma	5,775,783
Texas	3,590,065
New Mexico	667,071
Michigan	174,689
Illinois	162,758
Louisiana	61,294
Nebraska	11,684
Arkansas	2,604
	21,019,094

CODE OF ETHICS

AND BUSINESS CONDUCT OF THE ASSOCIATION OF CUSTOMERS' BROKERS

The purposes of this Association are:

To preserve and inculcate the highest standards of business conduct among its members.

To promote mutual understanding of their respective problems between the public and the financial community, and to support measures affecting the securities markets deemed in the public interest.

To improve the service rendered by its members to the public by interchange of ideas and by encouraging greater educational effort.

To cooperate with the Securities and Exchange Commission, the New York Stock Exchange, the Association of Stock Exchange Firms, and any other body or association, in all matters concerning the members of this Association and matters of mutual interest.

Preamble

THE public will have confidence in any business or profession that makes a serious and sincere effort to serve and protect the public interest. Laws, rules and regulations may be devised to enforce protection but they, in themselves, will be insufficient to create a full measure of faith and trust. The real inspiration must come from within, through the basic principles adhered to by the individuals in a business or profession.

Brokerage in securities has been in existence for at least three centuries. Through the years there have developed certain principles of right and wrong which are scrupulously observed by conscientious members of the securities business, regardless of whether these precepts are embodied in law or edict. In the Constitution of the New York Stock Exchange since its founding, these have been called "just and equitable principles of trade." These principles and certain regulations governing the conduct of accounts are agreed to in writing by every registered employee of member firms.

To all this we subscribe, and since we believe that the giving of advice concerning other people's money and the handling of financial transactions is a trust requiring the highest ethical standards, we have set down here the most important rules of conduct governing the professional practices of members of this Association. In keeping with our purposes we declare that this Code of Ethics shall be observed by our members and that any violation by a member shall be considered actionable.

Principles

1. The client's interest shall always be the first consideration of a member of our Association.

2. Opinions or advice given by a member, shall be supported by adequate knowledge and information. In making a suggestion a member shall present to a client as many as possible of the relevant facts whether they be favorable or unfavorable. In cases where a member deems it beneficial to a client to transmit unverified information he shall disclose the source and the fact that accuracy of his statement is unverified.

3. Wilful and knowing dissemination by any member of false and misleading information, aside from the legal consequences, shall be considered unethical. The giving of incorrect quotations or reports on the condition of the market comes within the same category.

Platform and Goal Presented

Customers' brokers are aptly said to constitute the first line of contact between investors in securities and the New York Stock Exchange firms with which they transact business. The formal organization of these men in New York City, consisting of approximately 300 members, has recognized its responsibility to the public by subscribing to the accompanying purposes and ideals.

Several thousand customers' brokers are employed by member firms and their branch offices. Groups corresponding to the New York unit, devoting attention to developments hinged on business in their communities, exist in a number of the larger cities, notably Chicago, Cleveland, St. Louis and Philadelphia.

4. Encouraging financial transactions not commensurate with a client's resources, or suggesting highly speculative ventures without explaining the extent and nature of the risk involved, shall be considered unethical.

5. Information concerning a client's transactions and his account shall be considered confidential, and shall not be disclosed except with the client's permission or by order of the proper authority.

6. Methods of soliciting business used by our members shall be dignified and in keeping with the ideals of our Association.

7. The services or policies of a competitor shall not be criticized by a member of this Association unless his opinion is requested, in which event his opinion shall be impartial.

8. Laws, rules and regulations of the Federal and State Governments, of the New York Stock Exchange and other Exchanges, where a member may be registered and of various regulatory bodies shall be adhered to by every member. A member shall consider it a duty to keep informed of new legislation governing his activities.

9. The interests of the firm with which the individual member is associated shall be safeguarded at all times. A member shall exercise care in the introduction of accounts, shall insist on his client's observance of the letter and spirit of any laws and regulations governing the client's transactions, and shall carry out his firm's requirements.

MONTHLY STATISTICS—NEW YORK STOCK EXCHANGE

		1943			1942
MONTH END DATA		JUNE	MAY	APRIL	JUNE
Shares Listed	(Mil.)	1.469	1.470	1.469	1.470
Share Issues Listed	(No.)	1,231	1,234	1,236	1,242
Par Value of Bonds Listed	(Mil. $)	80,999	81,479	72,812	61,899
Bond Issues Listed	(No.)	1,124	1,127	1,129	1,152
Total Stock and/or Bond Issuers	(No.)	1,194	1,196	1,196	1,213
Market Value of Listed Shares	(Mil. $)	48,877	48,438	46,192	33,419
Market Value of Listed Bonds	(Mil. $)	80,704	81,048	71,858	59,112
Market Value of All Listed Securities	(Mil. $)	129,581	129,486	118,050	92,531
Flat Average Price—All Share Issues	($)	45.21	45.07	43.75	34.28
Shares: Market Value ÷ Shares Listed	($)	33.27	32.96	31.45	22.73
Bonds: Market Value ÷ Par Value	($)	99.64	99.47	98.69	95.50
Stock Price Index (12/31/24=100)	(%)	66.3	65.6	62.6	45.3
Shares in Short Interest*	(Thou.)	880	980	882	514
Member Borrowings on U. S. Gov't Issues*	(Mil. $)	150	197	362R	‡
Member Borrowings on Other Collateral*	(Mil. $)	458	424	365R	‡
Per cent of Market Value of Listed Shares†	(%)	0.94	0.87	0.79	‡
Member Borrowings—Total*	(Mil. $)	608	621	727R	340
N. Y. S. E. Members' Branch Offices	(No.)	757	757	750	768
Total Non-Member Correspondent Offices	(No.)	2,341	2,338	2,352	2,647
DATA FOR FULL MONTH					
Reported Share Volume	(Thou.)	23,416	35,052	33,554	7,466
Daily Average (Incl. Saturdays)	(Thou.)	901	1,402	1,342	287
Daily Average (Excl. Saturdays)	(Thou.)	973	1,563	1,455	315
Ratio to Listed Shares	(%)	1.59	2.39	2.28	0.51
Total Share Volume (Incl. Odd Lots)*	(Thou.)	32,704	44,562	44,673	9,932
Money Value of Total Share Sales*	(Thou. $)	715,329	823,194	869,343	232,947
Reported Bond Volume (Par Value)	(Thou. $)	236,099	343,226	372,722	133,776
Daily Average (Incl. Saturdays)	(Thou. $)	9,081	13,729	14,909	5,145
Daily Average (Excl. Saturdays)	(Thou. $)	9,956	15,398	16,264	5,653
Ratio to Par Value of Listed Bonds	(%)	.291	.445	.512	.216
Total Bond Volume (Par Value)*	(Thou. $)	262,596	404,339	412,821	139,586
Money Value of Total Bond Sales	(Thou. $)	147,981	199,696	197,276	72,623
N. Y. S. E. Memberships Transferred	(No.)	4	3	5	9
Average Price	($)	42,666	48,000	41,000	23,667

* Items are as of ledgers which normally reflect transactions up to the close of the second full preceding business day.

† Ratios of member borrowings on other collateral to market value of listed shares. This ratio figure is not comparable to the ratios published prior to May, 1943. To obtain ratios comparable to those previously published, the total member borrowings should be divided by the market value of all listed shares.

‡ Not available. R=Revised.

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